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ARIZONA CORPORATION COMMISSION

March 23, 2009

The Honorable Henry A. Waxman
Chairman
Committee on Energy and Commerce
2204 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Waxman:

Congratulations on your recent election as Chair of the House Energy and Commerce Committee. Your leadership and dedication to taking meaningful action on global warming and other critical issues is much appreciated. I am writing to request that future funding for renewable energy and energy efficiency be appropriated directly to the Arizona Corporation Commission rather than to the executive branch. Please let me explain why.

As you know, I was elected to the Arizona Corporation Commission this year, my second attempt, based on my advocacy of clean energy, especially promoting solar energy.

The Arizona Corporation Commission (ACC) is one of only seven states with a constitutionally created public utilities commission.¹ We have jurisdiction over Arizona's current Renewable Energy Standard (RES), which received final approval in 2007. Enacting the RES took many years and was fought in the courts by conservative think tank the Goldwater Institute. Arizona's RES currently requires regulated utilities to get 15% of power from renewable resources by 2025. I am pushing our Commission to raise the RES to 25%.

Arizona's conservative legislature has forced the Corporation Commission to play defense, as bills have been introduced that would:

- Remove the power to enact and administer the RES from the Commission and give the legislature "exclusive power, authority and jurisdiction" over energy policy;
- Declare nuclear power a "renewable" resource, effectively gutting the RES; and
- Forbid state environmental officials from participating in the Western Climate Initiative.

¹ Arizona's agency is called the Corporation Commission rather than the Public Utilities Commission because we also oversee corporations. Thirteen states have elected, rather than appointed, Commissions; and Arizona's is both elected and constitutional.

Former Governor Janet Napolitano joined the Western Climate Initiative, and after some chiding from critics, including myself, our new Governor Jan Brewer decided she will remain a participant, albeit a passive one.

We appreciate and support federal funding for renewable energy, weatherization and energy efficiency projects in the recent stimulus bill. **However, I am writing to ask you to consider an alternative allocation for states like Arizona with constitutionally created Commissions:**

1. that energy funds be **directed to the Corporation Commission rather than the Governor's Energy Office** or the legislature in future legislation considered by your committee; or
2. that the **Arizona Corporation Commission is required to be in the process that determines how the funds are spent**, perhaps with veto power or at least a couple of votes.

I would be happy to talk with you or your staff about the need for the change. Of course, I would also be available to testify in a hearing about the change, should an opportunity be available. As we look at the institutions with jurisdiction over our energy decisions, it is becoming more clear to me that we need diverse voices at the table. The power companies, co-ops and investor-owned utilities that are NOT under the jurisdiction of expert and independent public utilities commissions continue to be dominated by narrow special interests. We must break open that juggernaut if we hope to make progress in those states that are lagging in renewable energy production. As I'm sure you know, as we move forward on energy issues, the investor-owned utilities, the rural electric co-ops and the municipally-owned electric systems will involve different approaches.

Please note that Arizona's portion of the recent stimulus bill will allow:

- More homes to be eligible for home energy assistance
- Eligible families to receive up to \$6,500 in home energy upgrades;
- A widening of eligibility to allow families making up to twice the federal poverty level to qualify (\$44,000/year);

Unfortunately, despite our abundant sunshine, Arizona could have been more aggressive in promoting solar and wind energy. For example, the state of New Jersey has more installed solar PV than Arizona – and California, Colorado and Nevada are moving ahead of Arizona. The Commission has set aside \$37 million for energy efficiency projects that are allowed cost recovery by regulated utilities; but I am afraid that if all the stimulus funds are sent to the Governor and legislature, we will not make the best possible use of these monies.

I believe that the current Arizona Corporation Commission has a much greater level of commitment to implementing renewable energy and energy efficiency. I request that you consider requiring a wider diversity of voices to determine how Arizona's energy stimulus funds

The Honorable Henry A. Waxman

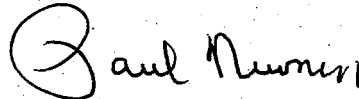
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are spent by requiring that the ACC and similarly situated public utility commissions be part of the decision-making process in determining how funds are spent.

I would welcome the opportunity to speak with you or your staff about this issue. Please feel free to contact my advisor, Alan Stephens, at astephens@azcc.gov or (602) 542-3682.

Sincerely,

A handwritten signature in black ink that reads "Paul Newman". The signature is written in a cursive, flowing style. The first letter "P" is large and loops around the first few letters. The last name "Newman" is written in a similar cursive style.

Paul Newman
Commissioner

commentary

Gov. Brewer needs to support the Western Climate Initiative

PAUL NEWMAN

Gov. Jan Brewer needs to support the Western Climate Initiative. Two years ago, former Gov. Janet Napolitano signed an agreement with four other states to establish the Western Climate Initiative (WCI). In 2005 Arizona's Climate Change Advisory Group began documenting the source of our greenhouse gas emissions. Since the WCI was established in 2007, two additional states have joined as partners and six states have "observer" status. Canadian provinces and Mexican states have also joined both as member and observers.

Four years ago, most people would not have known what a "greenhouse gas" was, and the term "climate change" was a little-used term. A lot can change in four years.

President Obama's administration is taking charge on climate change issues by a head-on look at greenhouse gas emissions. During the past eight years the federal government was largely silent on carbon reduction, but the states were busy. States took the lead on initiatives such as the Regional Greenhouse Gas Initiative (RGGI) in the East, and the Western Climate Initiative in the West and Southwest.

With all due respect to Rep. Andy Biggs, his bill to remove Arizona from the WCI is a step backwards. We can't go it alone when it comes to reducing carbon emissions. We believe in Arizona's independent spirit, but cooperation will get us further, faster. Rep. Biggs is rightfully concerned about jobs. But we see a solar future, including large corporations and mom-and-pop shops, from photo voltaics to large-scale solar thermal to hot water collectors on rooftops.

The WCI's regional approach to climate change means that we'll work with industry and other states as a team. Participation in the WCI will give us a leg up on industry and state innovations that will foster exciting new industries. The WCI is formulating a carbon-reduction policy based on cap-and-trade. We can disagree on program specifics, such as whether emissions credits should be auctioned or given away for free, but we clearly cannot continue to ignore our responsibility to reduce the threat of climate change.

The newspapers provide stories every week about raging fires, drought, dying trees, floods, hurricanes, freak weather



and birds moving north. In our own state, 20 percent of our forests burned in a five-year period, we had 31 days of temperatures higher than 110 degrees in 2007, and average temperatures increased a stunning 2.2 degrees from 2002 to 2007. We need leadership on this critical issue, and we need to work on solutions rather than denying the problem.

Some legislators are speaking out that the WCI will help to alleviate our dismal childhood asthma rate and will help create more green jobs. Although some businesses will be negatively affected by a price on carbon, it will help new industries and provide impetus to our utilities to be more innovative. We must realize that an investment in our fledgling solar industry will bring jobs, help clean our air and improve our health.

The WCI's findings are grounded in science — not in ideology, either conservative or liberal, but science. The WCI partners share a commitment to identify, evaluate and implement cooperative ways to address climate change and reduce greenhouse gas emissions. In the long run, it would be smart to look beyond the short-term job losses in the traditional fossil fuel industry and look ahead to Arizona's solar future.

Let's move forward in a bipartisan fashion and give a boost to our new future gold mine, the solar industry. We stand ready to work across the aisle with Democrats and Republicans who want a stronger, cleaner Arizona.

— Paul Newman is a commissioner on the Arizona Corporation Commission. To send him your thoughts on this issue, call (602) 542-3682 or send an e-mail to newman-web@azcc.gov.